

Message Text

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INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W

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FM AMEMBASSY JIDDA

TO SECSTATE WASHDC IMMEDIATE 1930

S E C R E T JIDDA 5211

EXDIS

DEPT PLEASE PASS DOD AND AMC AS SPECAT EXCLUSIVE

E.O. 11652: GDS

TAGS: MASS, SA, US

SUBJECT: AGENT'S FEES ON NATIONAL GUARD MODERNIZATION CONTRACTS

REF: A. STATE 170715; B. STATE 164743; C. JIDDA 5039

SUMMARY: AT PRESENT, MODA INSTRUCTIONS ON AGENT'S FEES DO NOT REPEAT NOT APPLY TO SAUDI ARABIAN NATIONAL GUARD (SANG). AS ISSUES ARISE HOWEVER, IT NOT LIKELY OTHERS CAN GIVE THEMSELVES MORE LEEWAY THAN MODA ENJLYS. NEED TO CLARIFY SANG'S POSITION URGENT, SINCE AN IMPORTANT INITIAL CONTRACT REQUIRES SIGNATURE BY JULY 24, FOR INITIATING NLT JULY 28. SANG PROGRAM MANAGER GENERAL LAWRENCE HAS GIVEN PRINCE ABDULLAH A LETTER ON JULY 22 ASKING THAT THE CONTRACT BE SIGNED AND MENTIONING IN A LOW-KEY WAY AMOUNT OF AGENT'S FEES INVOLVED AND THAT THESE FEES HAVE BEEN EXAMINED BY U.S.G. AND FOUND TO BE NECESSARY AND ACCEPTABLE. END SUMMARY.

1. SANG PROGRAM MANAGER BRIGADIER GENERAL LAWRENCE HAS AFFIRMED TO EMBASSY THAT PRINCE SULTAN'S POSITION ON AGENT'S FEES IN ASSOCIATION WITH FMS CASES APPLIES SO FAR ONLY TO MODA CONTRACTS AND THAT SANG HAS NOT YET TAKEN A POSITION ON HOW AGENT'S FEES ARE TO BE HANDLED. IT SEEMED LIKELY TO US HOWEVER THAT AS INDIVIDUAL CASES AROSE, IT SOULD BE HARD FOR PRINCE ABDULLAH TO ALLOW HIMSELF MORE

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LEEWAY IN MILITARY PURCHASES THAN IS ENJOYED BY MINISTRY OF

DEFENSE. GENERAL LAWRENCE ALSO INFORMED CHARGE THAT IT WAS NECESSARY FOR PRINCE ABDULLAH VERY SOON TO TAKE A POSITION ON THIS ISSUE BECAUSE THE MAINTENANCE AND TRAINING PACKAGE FOR THE B-150 ARMORED CAR USED IN THE MODERNIZATION PROGRAM NEEDED TO BE SIGNED BY JULY 24 SO THAT AMC AND CADILLAC GAGE COMPANY COULD BE INSTRUCTED TO PROCEED. THE CONTRACT IS A SMALL ONE (\$9,086,219) AND INCLUDES AN AGENT'S COMMISSION OF \$547,145. THE PROPOSED CONTRACT, INCLUDING ALL FEES, WAS EXAMINED BY PROGRAM OFFICE AND DOD, AND WAS FOUND TO BE ACCEPTABLE. GENERAL LAWRENCE ACCORDINGLY SUBMITTED THE FOLLOWING LETTER TO PRINCE ABDULLAH ON JULY 22; IN IT, THE QUESTION OF AGENT'S FEES IS MENTIONED IN A DELIBERATE, LOW-KEY WAY AND THE LETTER IS ALSO CAST SO AS NOT TO CONFLICT WITH POSITION ENUNCIATED BY MODA PRINCE SULTAN ON ALLOWABLE COMMISSION FEES.

2. TEXT OF LETTER FOLLOWS:

YOUR ROYAL HIGHNESS:

RECENTLY WE REPORTED TO YOU CONCERNING THE STATUS OF OUR NEGOTIATIONS WITH THE CADILLAC CAGE COMPANY FOR THE CONTRACT FOR MAINTENANCE AND TRAINING SUPPORT FOR THE V-150 ARMORED CAR USED IN THE MODERNIZATION PROGRAM. THIS LETTER IS FOR THE PURPOSE OF PROVIDING YOU THE LATEST INFORMATION WITH REGARD TO THIS CONTRACT AND TO SEEK YOUR CONCURRENCE IN OUR ACTIONS.

SUBSEQUENT TO OUR LAST CORRESPONDENCE IN THIS MATTER WE WERE SUCCESSFUL IN NEGOTIATING AN AGREEMENT WITH THE CADILLAC CAGE COMPANY WHICH CONTAINED THE APPROPRIATE SALARY RATES. YOUR LETTER AUTHORIZING ME TO CANCEL SOURCE NEGOTIATIONS WITH THE CADILLAC CAGE COMPANY AND CONDUCT A LIMITED COMPETITION, IF NECESSARY, WAS INSTRUMENTAL IN CAUSING THEM TO COME TO TERMS. WE FINALIZED THE CONTRACT AT APPROXIMATELY TWO MILLION DOLLARS LESS THAN WHAT THEY HAD PREVIOUSLY INDICATED AS THEIR FINAL OFFER. OTHER ELEMENTS WHICH WERE PREVIOUSLY IN QUESTION WERE ALSO RESOLVED TO OUR SATISFACTION AND WE FEEL THE AGREEMENT REACHED IS FAIR AND IN THE BEST INTEREST OF THE SANG.

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THE CONTRACT THAT WAS NEGOTIATED CONTAINS A CEILING ON COST AS DESIRED BY YOUR GOVERNMENT, AND THE CONTRACTUAL AGREEMENT IS SIMILAR TO THE ONE NEGOTIATED WITH THE VINNELL CORPORATION. THE CEILING AMOUNT OF THE CONTRACT IS \$9,086,219.00 (SR 31,392,886). THIS AMOUNT INCLUDES A TARGET COST OF \$6,882,171.00 (SR 23,777,900), WHICH HAS IN IT AN AGENT'S COMMISSION OF \$547,145.00 (SR 1,890,385).

BASE AND AWARD FEES TOTAL \$639,678.00 (SR 2,382,387).

IN ACCORDANCE WITH U.S. PROCUREMENT REGULATIONS, WE HAVE ANALYZED THE AGENT'S COMMISSION AND MADE A WRITTEN DETERMINATION THAT THE RELATIONSHIP BETWEEN THE CADILLAC CAGE COMPANY AND THEIR AGENT IS BONA FIDE AND THE AMOUNT OF FEE IS REASONABLE. THE CONTRACT AGENCY AGREEMENT REQUIRES THE AGENT TO PERFORM MANY SERVICES FOR THE CONTRACTOR WHICH ARE CONSIDERED NECESSARY TO SUCCESSFUL COMPLETION OF THE EFFORT. THE PROPOSED CONTACT, INCLUDING ALL FEES, WAS

EXAMINED AT THE VARIOUS ORGANIZATION LEVELS REQUIRED BY U.S. PROCUREMENT REGULATIONS AND WAS FOUND TO BE ACCEPTABLE.

I AM REQUIRED TO INFORM YOU THAT A RECENT CHANGE IN U.S. PROCUREMENT REGULATIONS NECESSITATES THAT YOUR CONCURRENCE BE RECEIVED PRIOR TO INITIATING THE CONTRACT. IN THE INTEREST OF MAINTAINING THE MODERNIZATION PROGRAM SCHEDULE AND IN ORDER FOR US TO PROVIDE THE SANG THE BEST POSSIBLE SERVICE, WE CONSIDER IT IMPERATIVE THAT THIS CONTRACT BE INITIATED BY THE CADILLAC CAGE COMPANY NOT LATER THAN 28 JULY 1975. WE THEREFORE REQUEST YOUR CONCURRENCE WITH THE AWARD OF THIS CONTRACT BY 24 JULY 1975, SO THAT WE CAN NOTIFY THE ARMY MATERIEL COMMAND AND CADILLAC CAGE COMPANY TO PROCEED. I HAVE INCLOSED FOR YOUR CONSIDERATION A SUGGESTED LETTER THAT YOU MAY WANT TO USE IN APPROVING THE CONTRACT.

PLEASE BE ASSURED, YOUR ROYAL HIGHNESS, OF OUR CONTINUING HIGHEST ESTEEM. RICHARD D. LAWRENCE, BRIGADIER GENERAL, USA, PROJECT MANAGER. END TEXT.

3. PRINCE ABDULLAH TOLD GENERAL LAWRENCE HE APPRECIATED
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THE NEED TO MOVE AHEAD ON THIS INITIAL CONTRACT PROMPTLY, AND WOULD BE BACK IN TOUCH WITH HIM AS SOON AS POSSIBLE. GENERAL LAWRENCE WILL TODAY (JULY 23) FOLLOW UP ON THIS CASE WITH GUARD OFFICIALS IN RIYADH.
HORAN

NOTE BY OC/T: NOT PASSED DOD AND AMC.

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